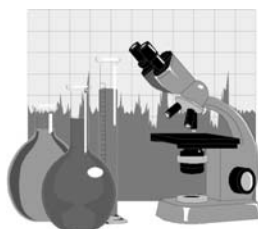


## Information on Washington's Tax Structure



# Distressed Area Sales/Use Tax Deferral Program

**The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.**



The Distressed Area Sales/Use Tax Deferral Program grants a deferral of sales/use tax for manufacturing, research and development, or computer-related businesses (excluding light and power

businesses) locating in specific geographical areas. The sales/use taxes on qualified construction and equipment costs are waived when all qualifications are met for a specified period of time.

The sales and/or use taxes for businesses located in distressed areas, Community Empowerment Zones (CEZ), or a county containing a CEZ are waived when all program requirements have been met and verified. These requirements include:

- ◆ The project is certified as operationally complete;
- ◆ All purchases are verified as eligible by the Department of Revenue;
- ◆ The facility is used for qualified manufacturing activities during the year in which the investment project is certified as operationally complete and the following seven years; and
- ◆ Employment requirements have been met for a business located in a CEZ or county containing a CEZ.

Employment requirements are explained later in this fact sheet.

This program expires on July 1, 2004.

### ELIGIBLE AREAS

**NOTE: The list of eligible areas is revised annually (effective July 1 through June 30). Businesses making investment decisions should be aware that a specific area may not be on the list every year. Before making a final investment decision based on these programs, the business should call the Special Programs Division at (360) 753-5545 to determine eligibility of the area.**

- ◆ Rural Counties: Counties with a population density of fewer than 100 people per square mile. This designation is revised annually on July 1 based on population figures announced by the Office of Financial Management.



- ◆ Community Empowerment Zones (CEZ): A designated CEZ or a county containing a CEZ. CEZs have a continuing status and are not reevaluated annually or removed from the list.

**Please see the designated area table included in this publication.**

Designated Areas Population Density Basis and CEZs July 1, 2001 - June 30, 2002	
County	Sales Tax Deferral 82.60
Adams	X
Asotin	X
Benton	X
Chelan	X
Clallam	X
Clark	
Columbia	X
Cowlitz	X
Douglas	X
Ferry	X
Franklin	X
Garfield	X
Grant	X
Grays Harbor	X
Island	
Jefferson	X
King	CEZ + COUNTY
Kitsap	CEZ + COUNTY
Kittitas	X
Klickitat	X
Lewis	X
Lincoln	X
Mason	X
Okanogan	X
Pacific	X
Pend Oreille	X
Pierce	CEZ + COUNTY
San Juan	X
Skagit	X
Skamania	X
Snohomish	
Spokane	CEZ + COUNTY
Stevens	X
Thurston	
Wahkiakum	X
Walla Walla	X
Whatcom	X
Whitman	X
Yakima	X

## REQUIREMENTS/QUALIFICATIONS

The business must be located in a rural county or a county containing a CEZ.

The business must invest in facility construction, expansion, or machinery and equipment acquisition. The machinery and equipment must be new to the business or the state and must be integral and necessary to the operation of the eligible business activity. Used machinery qualifies. A new building is not required.

The cost of the expansion or modernization of an existing facility qualifies if floor space or production capacity is increased.

Construction costs for a qualified leased building are eligible for the program, provided the benefit of the deferral is passed on to the qualified business in the form of reduced rent OR the underlying ownership of the building, machinery, and equipment vests with the same person(s).

All costs of the investment project, including labor and services performed in the planning, installation and construction of the project, are used to determine the eligible portion for deferral. If the facility is used partly for manufacturing and partly for other purposes, the tax deferral shall be determined by apportioning the costs of construction.

Cogeneration facilities that are part of a manufacturing facility qualify on the portion that is used to generate power for on-site consumption.

## EMPLOYMENT REQUIREMENTS

**Employment requirements for businesses locating in a CEZ, or a county containing a CEZ are:**

- ◆ At least one qualified employment position must be created for every \$750,000 of investment on which a deferral is requested.
- ◆ The new qualified employment positions created must be filled by persons who, at the time of hiring, are residents of the CEZ within the county where the investment project is located. Application for the deferral must be made to the Department PRIOR to hiring the CEZ employee.

- ◆ By the end of the second calendar year following the year in which the project is certified as operationally complete, the required employment positions must have been hired and retained for 12 consecutive months or all deferred taxes are immediately due.

## APPLICATION

**An application must be filed with the Department of Revenue PRIOR to initiation of construction or taking possession of machinery or equipment. Once an application is filed, construction or possession of machinery or equipment may begin. The granting or denial of the application can take up to 60 days.**

A copy of the Distressed Area Application for Sales and Use Tax, and the Distressed Area Application for Sales and Use Tax Deferral for Lessor is included in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985) or you can have them faxed by calling the Fast Fax system at (360) 786-6116 and requesting code number 811002 or code number 811008 for the Lessor application or they can be downloaded from our web site at <http://dor.wa.gov>.

The Department of Revenue must approve or deny applications within 60 days. If approved, a Tax Deferral Certificate is issued to the business to provide to vendors and contractors at the time of purchase. If denied, the business may appeal the decision to the Department's Appeals Division.

## USE OF THE DEFERRAL CERTIFICATE

The deferral certificate allows vendors and contractors to sell to approved businesses without charging retail sales tax. Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;
2. Qualified machinery and equipment; and
3. Labor and services rendered in the planning, installation and construction of the project.

The purpose of the Distressed Area Deferral program is to relieve manufacturing firms, undertaking qualified investment projects in eligible areas, of the obligation to pay tax on the retail construction services. However, it is not a comprehensive sale and use tax exemption. The deferral does not extend to prime construction contractors or subcontractors. It does not relieve contractors or subcontractors of their obligation to pay tax on the purchase or rental of tools, equipment, and supplies that are not incorporated into the final project, even though the ultimate cost of the tax is passed on to the person making the investment.

## AUDIT OF THE PROJECT

When your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100 percent of the machinery and equipment are eligible for deferral. The auditor may adjust the allowable deferral based on his or her findings.

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:

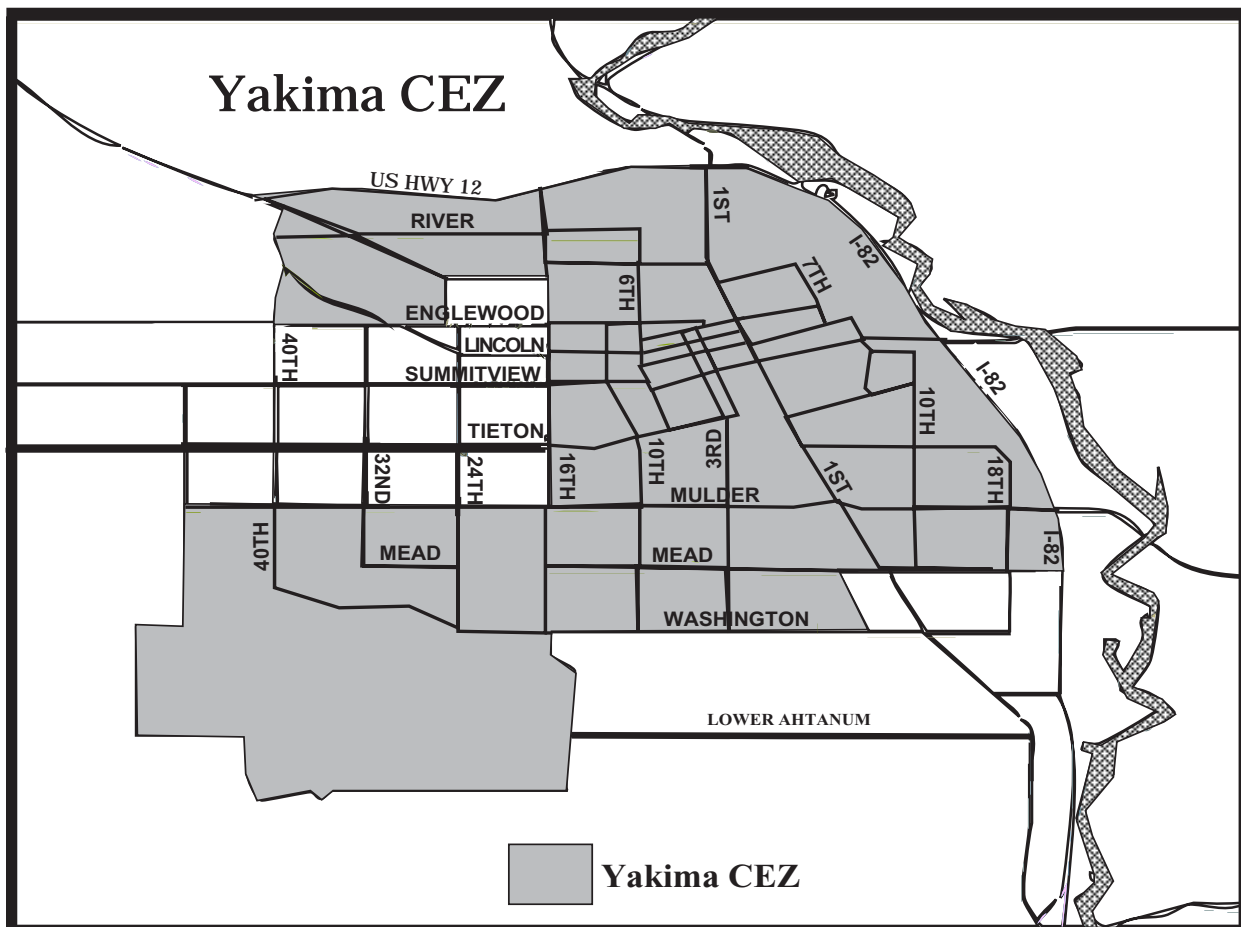
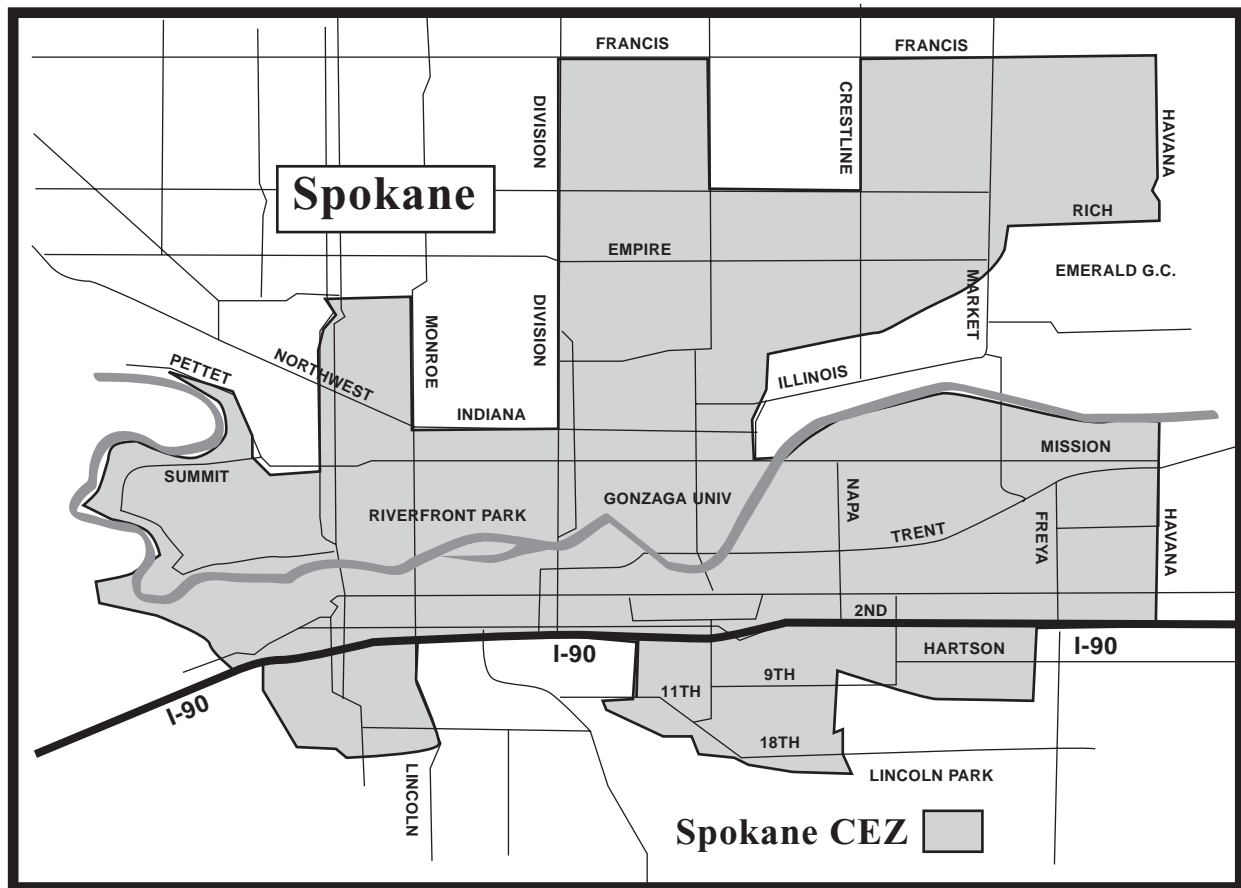
- ◆ Purchase invoices (i.e., accounts payable, receipts)
- ◆ Supporting documentation for the construction, such as construction contracts
- ◆ Original Sales and Use Tax Deferral Certificate

Although most audits can be completed with the above records, additional documents may be required during the audit.

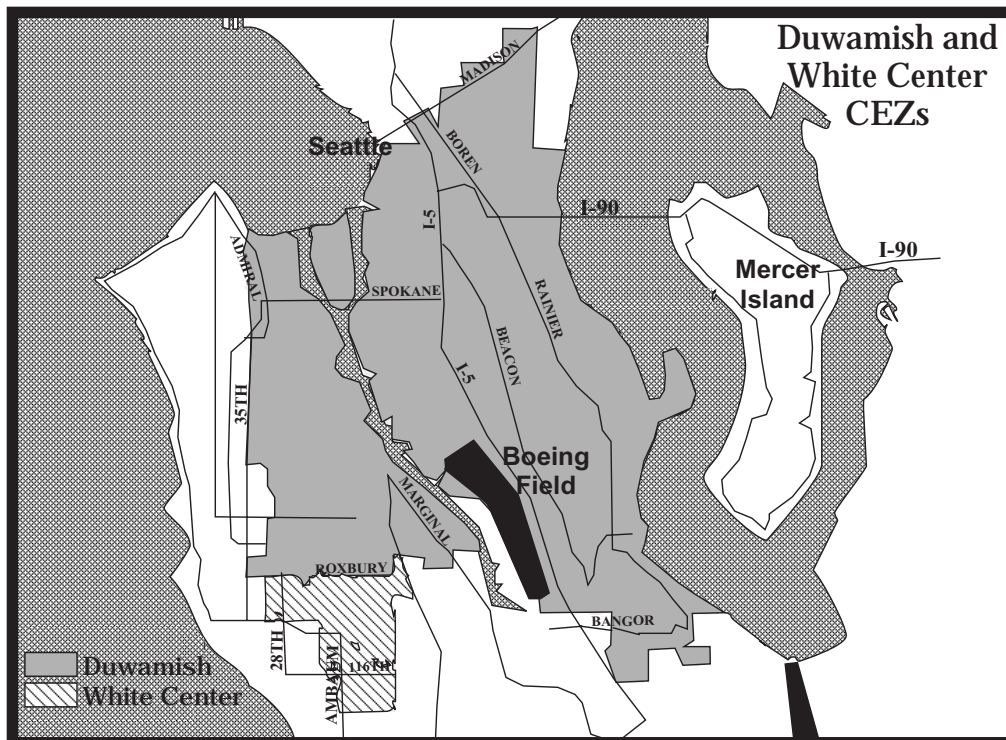
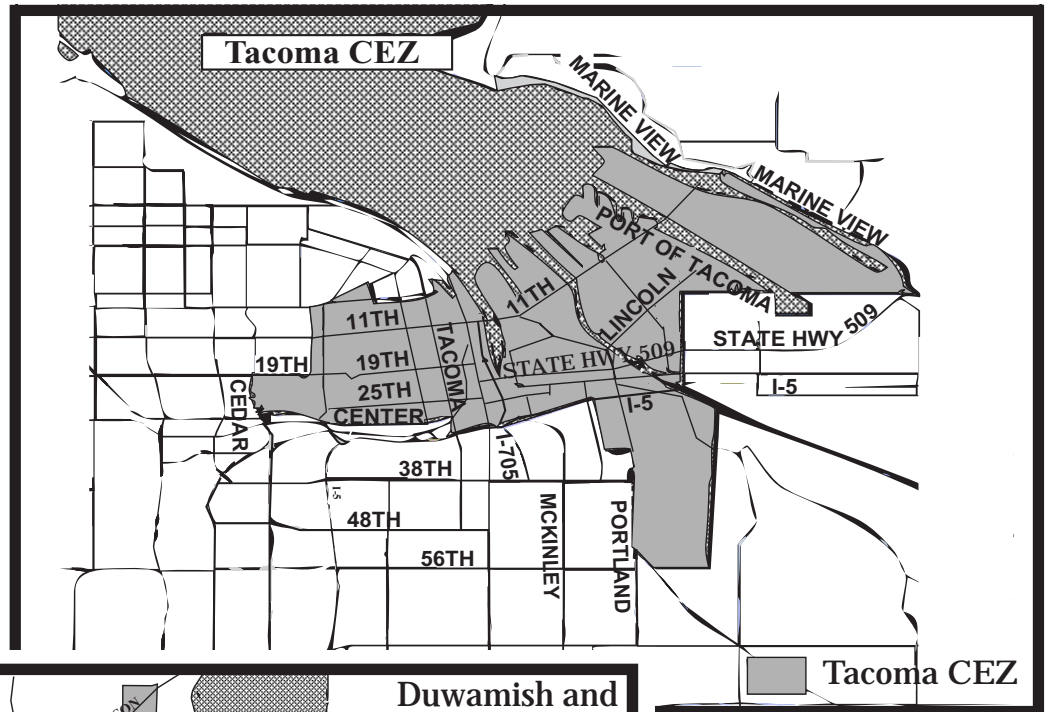
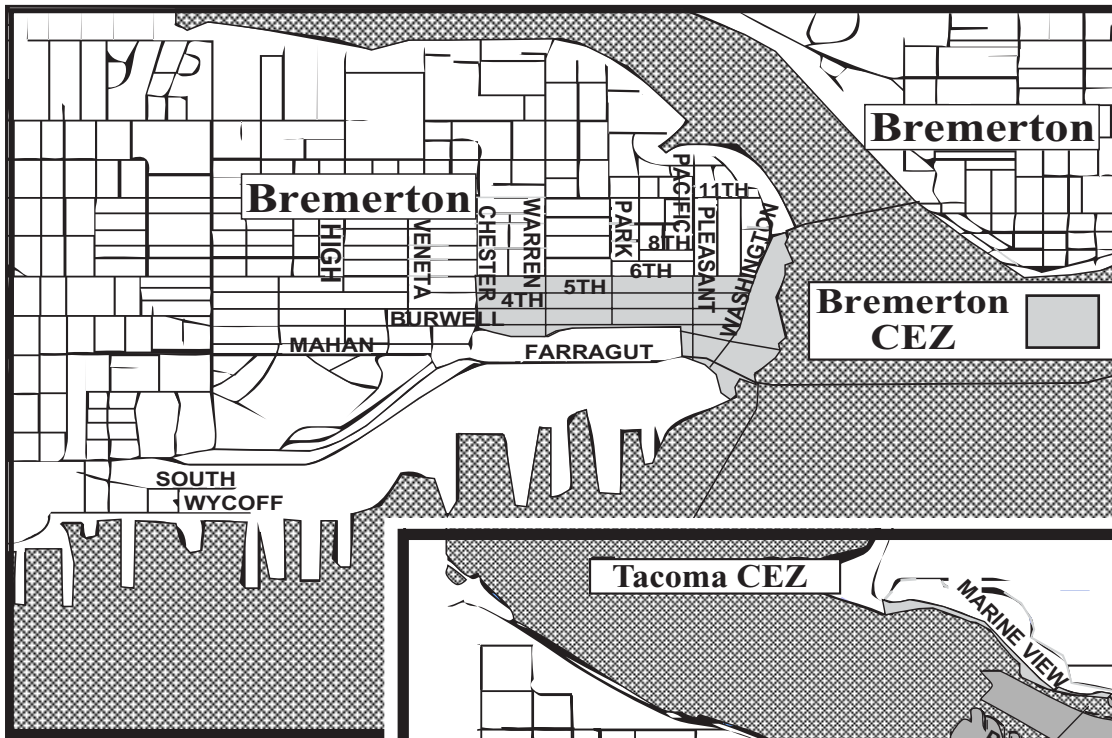
## LAWS AND RULES

- ◆ Chapter 82.60 Revised Code of Washington (RCW) — Tax Deferrals for Investment Projects in Distressed Areas
- ◆ Washington Administrative Code (WAC) 458-20-24001 — Sales and use tax deferral — Manufacturing and research/development facilities in distressed areas

The Department of Revenue will, upon request, provide copies of the laws and administrative rules.









**DISTRESSED AREA APPLICATION  
FOR SALES AND USE TAX DEFERRAL  
82.60 RCW**

**Name, Address, and Phone Number of Business**

Telephone No. (     ) \_\_\_\_\_

**Name, Address, and Phone Number of Contact Person**

*(All correspondence will be directed to this person)*

Telephone No. (     ) \_\_\_\_\_

Email Address: \_\_\_\_\_

**Department of Revenue Tax Reporting Number**

-    -

Check One:

Business is New ☐

Business is Expanding ☐

**Location of Investment Project**

Check One:

Rural County ☐

Community Empowerment Zone ☐

County \_\_\_\_\_

Address \_\_\_\_\_  
*Street Address*

\_\_\_\_\_  
*City, State and Zip Code*

**General Instructions**

**Filing:** This application must be mailed or faxed to the Washington State Department of Revenue prior to initiation of construction and/or possession of machinery and equipment within Washington State. "Initiation of Construction" is defined for purposes of this deferral program as the date on which excavation of the footprint or other similar work is started.

**Eligible Areas:** Eligible areas include: (1) rural counties with fewer than one hundred persons per square mile and (2) designated community empowerment-zones or counties containing such a community empowerment zone. **Note: The list of eligible areas is revised annually effective July 1 through June 30.** Businesses making investment decisions should be aware that a specific area may not be on the list every year. For a current county listing please contact the Department of Revenue.

**Eligible Investment Projects:** Manufacturing or research and development businesses may apply for the deferral if: (1) they are locating in one of the eligible counties or areas, and (2) they will be performing manufacturing or research and development at the site for which the deferral is requested.

**Qualified Activity** includes manufacturing and research and development. Manufacturing includes computer programming, and activities performed by R&D and commercial testing laboratories.

**Qualified Building** includes structures and expansion and renovation of existing structures. This includes materials and labor and services (including labor and services rendered in the planning and installation).

**Qualified Machinery and Equipment** includes machinery and equipment that are an integral and necessary part of the manufacturing or research and development operations.

**Employment Requirements:** Businesses that locate in a designated community empowerment zone or a county containing such a community empowerment zone must meet additional employment requirements in order to qualify for the deferral.

**Use Requirements:** All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified operationally complete plus seven additional years.

**Waiver of Taxes:** If all program requirements have been met, the deferred sales/use tax is waived by the Department of Revenue.

**Mail or Fax To:** Department of Revenue  
Special Programs Division  
PO Box 448  
Olympia, WA 98507-0448  
FAX: (360) 586-2163

**Business Activity to be Conducted at this Facility**

If additional space is needed to answer questions 1 and 2, please attach additional pages.

1. Describe the nature of your manufacturing activity at this facility. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Describe the nature of your research and development activities at this facility, if applicable. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Are you currently paying manufacturing or processor for hire business & occupation tax on the above described activity? Yes      No  
☐      ☐
4. If the answer to question 3 is "No", is this a new manufacturing activity for your business? ☐      ☐

**Estimated Investment Project Costs**

5. Structure:
 

Date construction/expansion to start	
Construction of new structure(s)	\$
Leasehold improvements paid for by applicant	\$
Expansion or renovation to expand floor space or production capacity	\$
<b>Total Structure Costs</b>	\$
6. Machinery & Equipment:
 

Date equipment is to be installed	
Purchase Price	\$
Less Contract Price	\$
Fair market value of previously owned machinery and equipment that is new to the State of Washington	\$
<b>Total Machinery &amp; Equipment Costs</b>	\$
7. Total Costs \$
8. Estimated completion date

**Apportionment of Structure**

If the facility is used partly for manufacturing and partly for other purposes, the applicable tax deferral shall be determined by apportioning the costs of construction.

9. Percentage of facility devoted to:
 

Accounting/Payroll	%
Administration	%
Cafeteria	%
Common Areas	%
Conference & Training Rooms	%
Customer Service	%
Manufacturing	%
Plant offices used by direct line supervisors or other managers who oversee the manufacturing process	%
Reception Area	%
Research & Development	%
Sales & Marketing	%
Warehouse	%
Other (please describe)	%
<b>Total</b>	100 %
10. Percentage of cogeneration energy produced devoted to internal use if applicable:
 

Manufacturing	%
Research & Development	%
Other (please describe)	%
<b>Total</b>	100 %

**Lessee/Lessor Information**

- |   | Yes                      | No                       |
|---|--------------------------|--------------------------|
| 11. Will the facility housing the operation be leased by the applicant?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Name of individual or entity that is paying for the construction of the building or improvements:<br>_____  |                          |                          |
| 13. Name of the individual or entity that will be manufacturing at this location:<br>_____  |                          |                          |
| 14. Do the lessee and lessor have 100% same ownership?<br>If yes, please provide documentation to substantiate the relationship.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. If the answer to question 14 is "No", has the lessor agreed by written contract to pass the economic benefit of the deferral on to the lessee in the form of reduced rents? | <input type="checkbox"/> | <input type="checkbox"/> |

(Please attach a completed Lessor's Application and a copy of the lease agreement that passes the economic benefit of the deferral to the lessee in the form of reduced rents.) If the individual or entity paying for the construction is different from the manufacturer, please contact the department for further instruction.

### Employment Information

16. Average Number of Full Time Equivalents (FTEs) for Previous Calendar Year.

(1820 annualized hours worked = 1 FTE):

Entire Business: \_\_\_\_\_

At This Facility: \_\_\_\_\_

17. Estimated Number of New FTEs as a result of this project: \_\_\_\_\_

*If your investment project is located in a rural county, please skip question 18.*

18. If your investment project is located in a community empowerment zone (CEZ) or a county containing a CEZ, you must hire a least one qualified employment position for each \$750,000 of investment on which a deferral is approved. The persons must be hired after the date the application is filed with the department. Each qualified employment position must be filled by persons who at the time of hire are residents of the CEZ. If, by the end of the second calendar year following the year in which the project is certified as operationally complete, you have not hired and retained for twelve calendar months the required number of qualified employment positions, all deferred taxes are immediately due.

Estimated number of qualified full-time positions that will be filled by residents of the CEZ: \_\_\_\_\_

Name of CEZ: \_\_\_\_\_

### Use of Facility

All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified as operationally complete, plus seven additional years.

Yes      No

19. Do you plan to operate this investment project in a qualified manner for 8 years from the time the project is complete?      ☐      ☐

20. If the answer to question 19 is "No", how long do you plan to operate this investment project with qualified use? \_\_\_\_\_

If the manufacturing or research and development activity is not maintained, all or a portion of the deferred taxes outstanding for this investment will be immediately due. The department will assess interest at the rate provided for delinquent excise taxes, but not penalties, retroactively to the date of the deferral.

### Audit Records Location

If your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100% of the machinery and equipment are eligible for the deferral. The auditor may adjust the allowable deferral based on his or her findings.

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:

- Purchase invoices (i.e., accounts payable, receipts)
- Supporting documentation for the construction, such as construction contracts
- Original Sales and Use Tax Deferral Certificate

Although most audits can be completed with the above records, additional documents may be required during the audit.

Please complete the following information about the contact person and audit records location if this information is currently available:

21. Contact person: \_\_\_\_\_

22. Phone number of contact person: \_\_\_\_\_

23. Location of audit records  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

For tax assistance, visit <http://dor.wa.gov> or call (800) 647-7706. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call (800) 451-7985.





**DISTRESSED AREA APPLICATION FOR LESSOR**  
**FOR SALES AND USE TAX DEFERRAL**  
**82.60 RCW**

**Name, Address, and Phone Number of Business**

Telephone No. (    )

**Name, Address, and Phone Number of Contact Person**

*(All correspondence will be directed to this person)*

Telephone No. (    )

**Department of Revenue Tax Reporting Number**

-    -

Check One:

Lessee's Business is New ☐

Lessee's Business is Expanding ☐

**Location of Investment Project**

Check One:

Rural County ☐

Community Empowerment Zone ☐

County \_\_\_\_\_

Address \_\_\_\_\_  
*Street Address*

\_\_\_\_\_  
*City, State and Zip Code*

**General Instructions**

**Filing:** This application must be mailed or faxed to the Washington State Department of Revenue prior to initiation of construction and/or taking possession of machinery and equipment within Washington State. "Initiation of Construction" is defined for purposes of this deferral program as the date on which excavation of the footprint or other similar work is started.

**Eligible Areas:** Eligible areas include (1) rural counties with fewer than one hundred persons per square mile and (2) designated community empowerment zones or counties containing such a community empowerment zone. **Note:** **The list of eligible areas is revised annually effective July 1 through June 30.** Businesses making investment decisions should be aware that a specific area may not be on the list every year. For a current county listing please contact the Department of Revenue.

**Eligible Investment Projects:** Manufacturing or research and development businesses may apply for the deferral if: (1) they are locating in one of the eligible counties or areas, and (2) they will be performing manufacturing or research and development at the site for which the deferral is requested.

**Qualified Activity** includes manufacturing and research and development. Manufacturing includes computer programming, and activities performed by R&D and commercial testing laboratories.

**Qualified Building** includes structures and materials, and labor and services, utilized in the course of construction of the eligible investment project (including labor and services rendered in the planning, installation, and construction of the project).

**Qualified Machinery and Equipment** includes machinery and equipment to be used as an integral and necessary part of the manufacturing or research and development operations.

**Employment Requirements:** Businesses that locate in a designated community empowerment zone or a county containing such a community empowerment zone must meet additional employment requirements in order to qualify for the deferral.

**Use Requirements:** All businesses must maintain a qualified manufacturing activity at the site of the investment project for the year in which the investment project is certified operationally complete plus seven additional years.

**Waiver of Taxes:** If all program requirements have been met, the deferred sales/use tax is waived by the Department of Revenue.

**Mail or Fax To:**

Department of Revenue  
Special Programs Division  
PO Box 448  
Olympia, WA 98507-0448  
FAX: (360) 586-2163

Lessee information	
1. Name of Lessee:	_____
2. Mailing Address:	_____
3. Contact Person:	_____
4. Phone Number:	_____
5. Department of Revenue Tax Reporting Account Number:	_____
	<u>Yes</u> <u>No</u>
6. Do the lessee and lessor have 100% same ownership?	<input type="checkbox"/> <input type="checkbox"/>
7. If the answer to question 6 is "Yes", please provide documentation to substantiate the relationship.	
8. If the answer to question 6 is "No", has the lessor agreed by written contract to pass the economic benefit of the deferral to the lessee in the form of reduced rent payments?	
	<input type="checkbox"/> <input type="checkbox"/>
(Please attach a completed Lessee's Application, if applicable, and a copy of the lease agreement reflecting the reduction in rents that passes on the benefit.)	

Estimated Investment Project Costs	
<i>Please include only those costs that will be paid for by the applicant.</i>	
9. Structure:	
Date construction/expansion to start	_____
Construction of new structure(s)	\$ _____
Leasehold improvements paid for by applicant	\$ _____
Expansion or renovation to expand floor space or production capacity	\$ _____
Construction of cogeneration facility	\$ _____
<b>Total Structure Costs</b>	\$ <span style="border: 1px solid black; padding: 2px 20px;"> </span>
10. Machinery & Equipment:	
Date equipment is to be installed	\$ _____
Purchase Price	\$ _____
Lease Contract Price	\$ _____
Fair market value of previously owned machinery and equipment that is new to the State of Washington	\$ _____
<b>Total Machinery &amp; Equipment Costs</b>	\$ <span style="border: 1px solid black; padding: 2px 20px;"> </span>
11. Total Costs	\$ <span style="border: 1px solid black; padding: 2px 20px;"> </span>
12. Estimated Completion Date:	____ / ____ / ____

Business Activity to be Conducted at this Facility
<i>If additional space is needed to answer questions 13 and 14, please attach additional pages.</i>
13. Describe the nature of lessee's manufacturing activity at this facility: _____
_____
_____
14. Describe the nature of lessee's research and development activities at this facility, if applicable: _____
_____
_____

Apportionment of Structure	
<i>If the facility is used partly for manufacturing and partly for other purposes, the applicable tax deferral shall be determined by apportioning the costs of construction.</i>	
15. Percentage of facility devoted to:	
Accounting/Payroll	_____ %
Administration	_____ %
Cafeteria	_____ %
Common Areas	_____ %
Conference & Training Rooms	_____ %
Customer Service	_____ %
Manufacturing	_____ %
Plant offices used by direct line supervisors or other managers who oversee the manufacturing process	_____ %
Reception Area	_____ %
Research & Development	_____ %
Sales & Marketing	_____ %
Warehouse	_____ %
Other (please describe)	_____ %
<b>Total</b>	<span style="border: 1px solid black; padding: 2px 20px;">100 %</span>
16. Percentage of cogeneration energy produced and devoted to internal use, if applicable:	
Manufacturing	_____ %
Research & Development	_____ %
Other (please describe)	_____ %
<b>Total</b>	<span style="border: 1px solid black; padding: 2px 20px;">100 %</span>

Employment Information	
17. Lessee's Average Number of Full Time Equivalents (FTEs) for Previous Calendar Year. (1820 annualized hours worked = 1 FTE):	
Lessee's Entire Business:	_____
At This Facility:	_____
18. Estimated Number of New FTEs as a result of this project:	_____
<i>If your investment project is located in a rural county, please skip question 19.</i>	
19. If your investment project is located in a community empowerment zone (CEZ) or a county containing a CEZ, the lessee must hire a least one qualified employment position for each \$750,000 of investment on which a deferral is approved. The persons must be hired after the date the application is filed with the department. Each qualified employment position must be filled by persons who at the time of hire are residents of the CEZ. If, by the end of the second calendar year following the year in which the project is certified as operationally complete, the lessee has not hired and retained for twelve calendar months the required number of qualified employment positions, all deferred taxes are immediately due.	
Estimated number of qualified full-time positions that will be filled by residents of the CEZ:	_____
Name of CEZ:	_____

Use of Facility	
<i>All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified as operationally complete, plus seven additional years.</i>	
	<u>Yes</u> <u>No</u>
20. Does the lessee plan to operate this investment project in a qualified manner for 8 years from the time the project is complete?	<input type="checkbox"/> <input type="checkbox"/>
21. If the answer to question 20 is "No", how long does the lessee plan to operate this investment project with qualified use?	_____
If the manufacturing or research and development activity is not maintained, all or a portion of the deferred taxes outstanding for this investment will be immediately due. The department will assess interest at the rate provided for delinquent excise taxes, but not penalties, retroactively to the date of the deferral.	

Audit Records Location
If your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100% of the machinery and equipment are eligible for the deferral. The auditor may adjust the allowable deferral based on his or her findings.
To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:
<ul style="list-style-type: none"> <li>• Purchase invoices (i.e., accounts payable, receipts)</li> <li>• Supporting documentation for the construction, such as construction contracts</li> <li>• Original Sales and Use Tax Deferral Certificate</li> </ul>
Although most audits can be completed with the above records, additional documents may be required during the audit.
Please complete the following information about the contact person and audit records location if this information is currently available:
22. Contact person:
_____
23. Phone number of contact person:
_____
24. Location of audit records
_____
_____

_____	_____
Applicant's Signature	Date
_____	_____
Title	

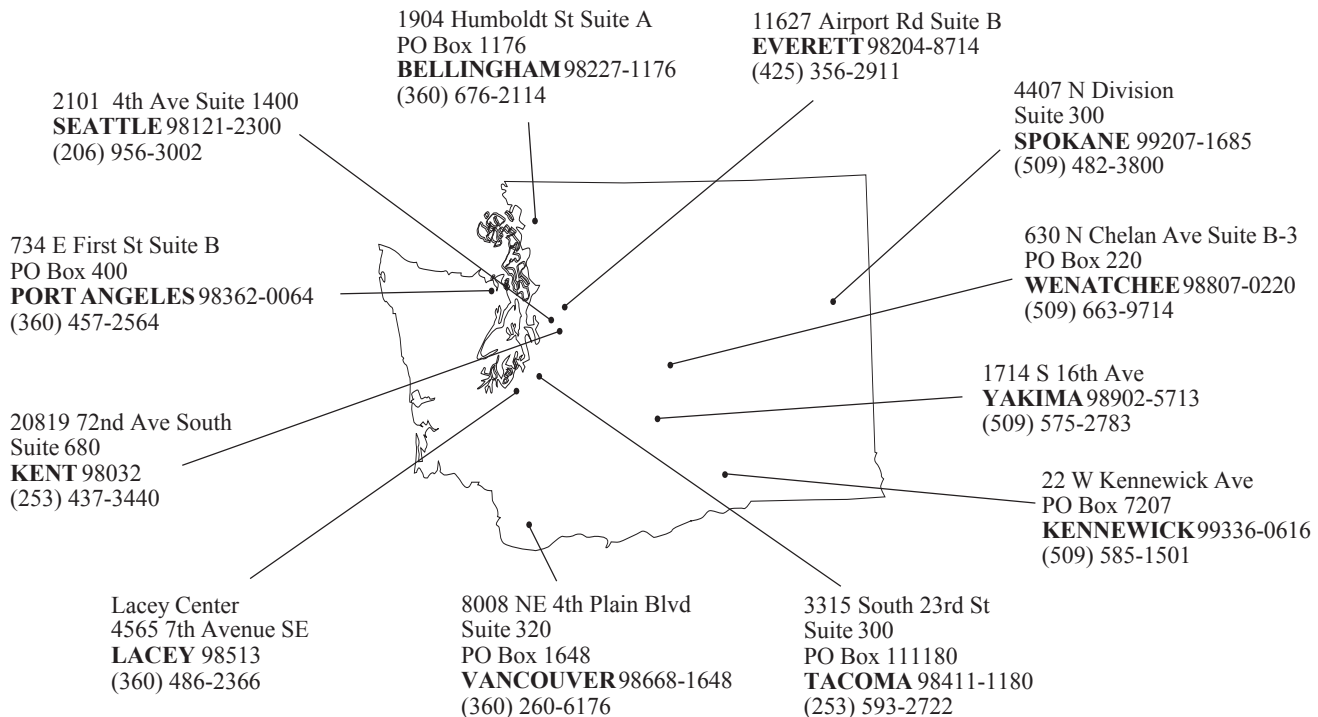
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# Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

## Field Office Locations



Telephone Information Center  
1-800-647-7706

To inquire about the availability of this publication in an alternate format for the visually impaired, please call (360) 486-2342.  
Teletype (TTY) users please call 1-800-451-7985.



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*Prepared by the Taxpayer Services Division*



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